

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. POE) is recognized for 5 minutes.

(Mr. POE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

GOVERNMENT FAILS WHEN WE IGNORE CONSTITUTION

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from North Carolina (Ms. FOXX) is recognized for 5 minutes.

Ms. FOXX. Mr. Speaker, this week we have been focused on what has been described as the most critical situation facing our economic status in our country since World War II. The liberals/Democrats say it is a failure of the markets. It is not a failure of the markets. It is a failure of our government. It is caused by ignoring the Constitution and by getting the Federal Government involved in things it should not be involved in.

If we are about to allow the very people who got us into this mess by promoting the bad policies, especially Fannie Mae and Freddie Mac, to design the cure, then in common parlance, we are about to let the fox guard the hen house.

Another point that needs to be made relative to this situation is that the Democrats in the House have been doing their best to blame House Republicans for the fact that a bill to solve this problem was not passed this week. What has to be said over and over again is that the Democrats are in charge, in control, of both Houses of Congress. They can pass any bill they want without a single Republican vote and have done so on hundreds of bills in the past 20 months, including several times today.

But suddenly, the Democrats want to make this situation the responsibility of the Republicans. Most Republicans want to have no part of any further slide into socialism that the legislation the Democrats are likely to present to us will represent.

The Republicans have presented alternatives that will not be allowed to be considered. But like many of my colleagues, I feel that God holds us guilty for sins of omission as well as sins of commission. Therefore, I think it is important that we raise the issues, that we discuss the situation, and that we present alternatives.

One very thoughtful person has given us the benefit of his wisdom and advice in this situation, and that person is John Allison, chairman and CEO of the very successful Branch Banking & Trust, known as BB&T, which is headquartered in Winston-Salem, North Carolina. I will share some of his comments and put into the RECORD his letter of September 26.

The letter is addressed to me.

"Unfortunately, while under normal circumstances, there would be a free market solution, given the publicity

and psychological mindset which is being created, Congress not acting is extraordinarily risky. Therefore, an alternative to the Paulson plan must be developed. A much more effective, far less expensive solution to the financial crisis than the Treasury Secretary presented is outlined below."

As I said, I won't read all of the letter, but I want to highlight some important points. He underlines these, and I do, too.

"Without Freddie Mac and Fannie Mae and the affordable housing program (subprime), we could never have made a misallocation of capital of this magnitude."

Again, Mr. Speaker, the problem lays directly with the Democrats who pushed Fannie and Freddie and refused to allow Republicans when they wanted to bring them under control. Let me share the end of his letter.

"By the way, the reason Bernanke and Paulson cannot see the solution is they are making a fundamental epistemological (thinking) error. Bernanke is thinking from economic theory and Paulson is thinking from a capital market theoretical perspective. To solve the problem, we have to deal with the real physical world, i.e., the fact that there is a physical inventory of houses that needs to be cleared, and we must grasp what motivates real individuals (not theoretical collectives) to act.

"A carefully designed housing tax credit and ending fair value accounting (as currently implemented) will fix the real estate markets, capital markets and the economy. This program will likely actually increase tax revenue by stimulating the economy by increasing taxable income. There is likely to be net gain to the government.

"I hope you will give this issue serious consideration."

We have solutions available to us if we will follow them.

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. WOOLSEY) is recognized for 5 minutes.

(Ms. WOOLSEY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. JONES) is recognized for 5 minutes.

(Mr. JONES addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

DEAL OR NO DEAL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. GARRETT) is recognized for 5 minutes.

Mr. GARRETT of New Jersey. Mr. Speaker, I come to the floor to follow the gentlewoman from North Carolina (Ms. FOXX) and address the issue of the

bailout. She started her talk with deal or no deal. There was talk in the media that there was a deal. We heard from Senator DODD and the chairman of our committee and other leaders on the other side of the aisle yesterday that there was a deal. Unfortunately, the fact of the matter was that there may have been a deal between themselves and the White House, there was no deal obviously to bring the bill to the floor, or at 8 or 9 at night, we would have seen the Speaker of the House bring the bill to the floor. That is evidence of the fact that there never was a deal.

We do know the fact is we have a serious problem in this country, a problem that must be addressed now, a problem which requires both sides coming together to try to find the solution to the problem.

As the previous speaker said, there are alternative solutions on the table, solutions that economists and business schools across the country have come behind and said can be the credible solution and one which would not put the taxpayers of the country on the hook.

I would suggest that one way of coming to a solution is to decide that we are not going to go back to those same people who helped bring us to this problem in the first place.

One of the underlying problems that brought us to this situation is the fact that there was easy money in the economy for too long a period of time. From 2001 to 2004, interest rates slid from 6 percent all of the way down to 1 percent of the Fed's fund rate. There was an expression used of the Greenspan put, if you will, as far as trying to boost the economy and Wall Street all during that time.

Then that was followed from a switch turnaround from 2004 to 2007 where the interest rates shot up from 1 percent up to 5½ percent. Let me suggest to you that those higher interest rates have been reflected in the housing market today, and will be potentially affected due to a lag time to other sections of the economy later. And that is another reason why we should not engage and support a measure as has been proposed by the White House and the other side of the aisle of spending \$700 billion or anywhere near that amount of money that would put the taxpayers on hook because we can anticipate future problems due to that tightening up of the credit market by the Fed.

□ 2045

Now, another area where we should not go back to the same people who helped bring us to this problem are those very same people who helped exacerbate the problem by their misregulation of the GSEs. The GSEs, what are they? They are your Fannie Mae and Freddie Mac.

Those entities that supply the credit for about half of the mortgages in this country were allowed to grow out of control and to grow too large to fail and to grow to such an extent that there was systemic risk in this country